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NEXT-LEVEL BROKERAGE SERVICES

CPI REPORT SEPT 13, 2023

EXECUTIVE SUMMARY

Consumer Price Index for All Urban Consumers (CPI-U)

- Increased by 0.4% in September, and saw a 0.6% rise in August.
- Shelter Costs were a major factor in the monthly increase, contributing over half.
- Gasoline Index was a significant contributor to the rise. The Energy Index had a mixed response but increased by 1.5% in September.
- Food Index has increased by 0.2% in September. This rate is consistent with the previous two months.
- Index Excluding Food and Energy increased by 0.3% in September with notable rises in: rent, owners' equivalent rent, lodging, motor vehicle insurance, recreation, personal care, new vehicles. Declines were observed in: Used cars and trucks and apparel.

Year-Over-Year Figures

- 3.7% rise in the all items index.
- Excluding food and energy, the index rose by 4.1%.
- Energy index decreased by 0.5% annually.
- Food index increased by 3.7% annually.

Food and Energy

- Home food index increased by 0.2% with notable increases in: Meats, poultry, fish, and eggs. Decline was observed in: Cereals and bakery products.
- Food away from home index rose by 0.4%.
- Energy in September had an overall rise of 1.5% with gasoline increasing by 2.1%, Electricity increasing by 1.3%, and Natural gas decreasing by 1.9%.
- Annual perspective shows the energy index fell by 0.5%.

MAIN POINT

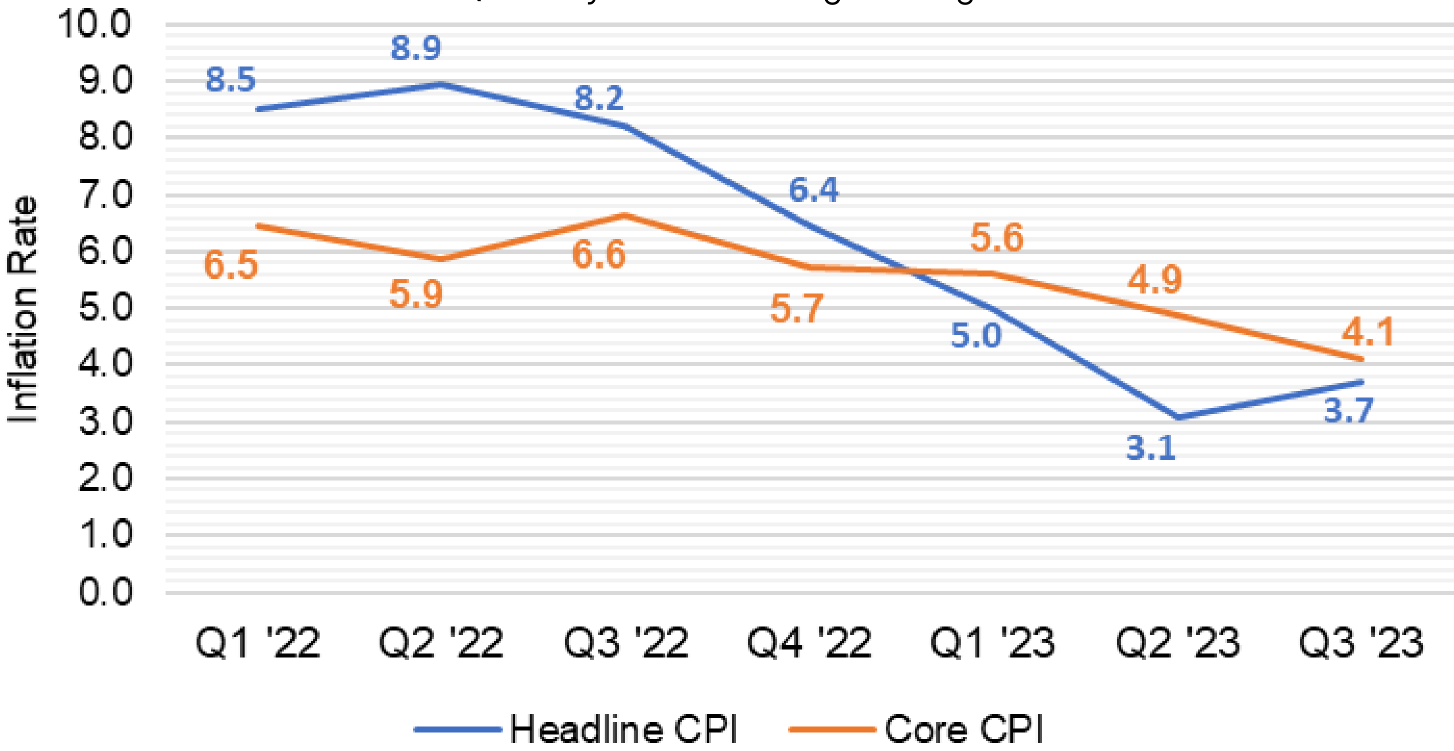
The housing sector played a prominent role in keeping inflationary pressures high. It made up for over half of the monthly increase in CPI for September. Another key takeaway from the CPI release is that Headline CPI which has a rate of 3.7% is actually lower than Core CPI signaling that Food and Energy which are the most volatile metrics in the Consumer Price Index were not the main contributors to the higher rate. The housing sector will play a huge role in deciding where rates could head in the coming months and may be the deciding factor in the decision of the Federal Open Market Committee.

LOOKING FORWARD

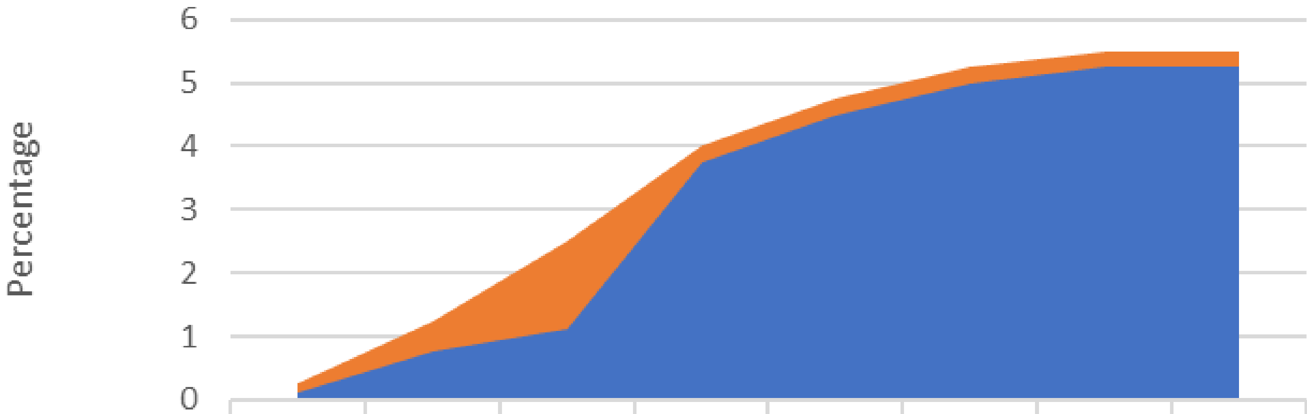
Inflation is stabilizing at 4%, prompting diverse predictions about the Effective Federal Funds Rate's future, ranging from no change to a potential rise to 5.75%. Advocates for hiking rates cite the need to control CPI and tighten monetary policy, especially in the housing sector, to manage debt and maintain the spending budget. Opponents argue that increased rates could overly counteract global deflationary trends, risking a recession. They suggest a new inflation target above 2%, with 3% being the preferred rate, altering the dynamics of using rate hikes to control inflation.

CORE CPI VS HEADLINE CPI

Quarterly YoY Percentage Change



Federal Effective Funds Rate Target Range



	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Upper Limit	0.25	1.25	2.5	4	4.75	5.25	5.5	5.5
Lower Limit	0.125	0.75	1.125	3.75	4.5	5	5.25	5.25

Upper Limit Lower Limit

Source: Federal Open Market Committee

Reach out to us at (513) 745-9333 or email Mike@3cre.com to schedule a call to discuss your real estate investment needs.

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